AGRICULTURAL OUTLOOK DIGEST

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CURRENT AGRICULTURAL SITUATION AND OUTLOOK FOR 1968

The volume of farm marketings in 1967 is expected to run about 3% higher than in 1966, at prices around 5% below last year's. Thus, producers' 1967 market receipts likely will fall moderately below the 1966 record of $43.2 billion. Continued increases in production expenses likely will result in 1967 realized net income about a tenth below last year's near-record $16.4 billion.

Further growth in consumer demand is likely in 1968. This may lead to some strengthening in prices for livestock and livestock products, since total livestock output next year is expected to average around 1967 levels. This year's record crop output will increase crop marketings in 1967/68. The value of U.S. exports of farm products in 1967/68 is expected to remain near the $6.8 billion shipped in 1966/67.

Cash receipts from farm marketings in 1968 are expected to be above this year's. However increased production expenses likely will result in 1968 realized net farm income near 1967 levels. Realized net income per farm and per capita disposable personal income of farm residents will rise, due to further declines in the numbers of farms and farm people.

The general economy continued to improve during the third quarter of 1967, despite the depressing effects of strikes. Even with the fairly strong second half pick-up, economic activity for 1967 as a whole likely will increase less than in 1966. Gross national product in 1967 may increase about 5.5%, somewhat less than the 8.7% rise in 1966.

Prospective increases in output, employment, and consumer demand point to further expansion of economic activity in 1968. The increase will likely exceed the 1967 rise, but is not expected to match the large gain achieved in 1966.

FOOD: Third quarter food expenditures were up $1 billion (seasonally adjusted annual rate) from the previous quarter. They are expected to total about $97 billion in 1967--4% above 1966, or about half the previous year's gain.

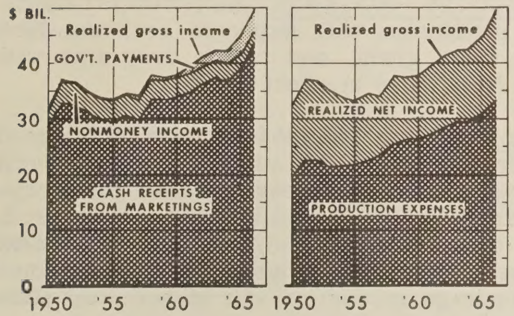
Retail food prices in 1967 are averaging around 1% above last year, with most of the gain due to 5% higher prices for food away from home. Per capita food consumption is running about 1% higher in 1967. Per capita gains are occurring in most major food groups, except fats and oils and dairy products.

Food expenditures in 1968 will probably rise 3 to 5% --about in line with this year's gain--primarily as a result of increased marketing costs. However, prospects for more rapid growth in disposable income suggest the percentage of income spent for food may decline slightly from the 17.7% estimated for 1967.

Farmers likely will receive 38¢ of the dollar that consumers spend for farm food in 1968--the same share as in 1967. During 1957-66, the farmer's share varied from 37¢ to 40¢.

LIVESTOCK: Livestock producers are expected to produce about the same amount of red meat next year as in 1967.

FARM INCOME COMPONENTS



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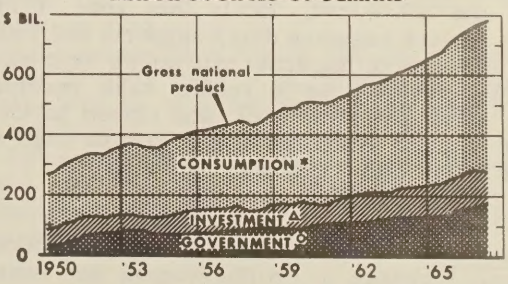
MAJOR SOURCES OF DEMAND



* PERSONAL EXPENDITURES. △ GROSS PRIVATE DOMESTIC INVESTMENT PLUS NET EXPORTS.
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Beef: Fed beef production in 1968 is expected to be larger than in 1967, and may about offset a moderate decline in cow slaughter. On October 1, there were more cattle on feed in weight groups that will supply a big share of marketings during the first half of 1968. The shift toward marketing cattle through feedlots is expected to continue in 1968.

Fed cattle prices the rest of this fall and winter probably will average around late October levels--$27/cwt. for Choice steers at Chicago--about $2/cwt. above a year earlier. Prices in 1968 may average a little higher than in 1967.

Cow slaughter in 1968 probably will run moderately smaller than in 1967, because beef herds likely will be expanding. Culling of dairy herds may also be a little lighter.

Hogs: Hog slaughter late this fall and in the first half of 1968 likely will be near year-earlier levels. Larger supplies of lower-priced feed may encourage producers to increase farrowings during winter and spring from those of a year earlier.

Barrows and gilts at 8 markets in late October averaged about $17.80/cwt.--about $3.40/cwt. below a year earlier. Hog prices this winter are expected to average around last winter's average of $19.50/cwt. Hog slaughter and prices later in 1968 will depend mainly on the size of next spring's pig crop. Any sizeable increase would result in a sharp decline in prices later in 1968.

Lambs: Slaughter supplies this fall and next winter likely will be below year-earlier levels. Slaughter in 1968 is expected to continue to decline from 1967 rates, because next year's lamb crop will be down.

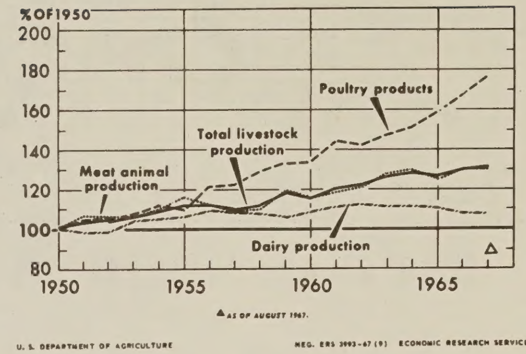
Choice slaughter lambs at San Angelo averaged $22.50/cwt. in late October. Prices next year are expected to be generally above 1967 levels, reflecting smaller slaughter supplies.

DAIRY: Milk production in 1968 likely will be near the 119.5-120 billion lbs. in prospect for 1967. Gains in output per cow are expected to offset the continued decline in milk cow numbers.

The farm price of milk in 1968 may average near the $5.00/cwt. likely this year. (This price outlook assumes dairy supports and Federal milk marketing order provisions continuing at 1967 levels.) As a result, cash receipts from farm sales of milk and cream in 1968 would change little from the record high of about $5.8 billion expected this year.

POULTRY: A slight decline in egg production, a small increase in broiler output, and fewer turkeys appear likely for 1968. These prospects reflect poultrymen's response to depressed prices and higher production costs in 1967.

LIVESTOCK PRODUCTION



Eggs: Pullet chicks placements and egg settings point to some reduction in laying flocks and egg production later in 1968. Egg prices fell early in 1967, and remained low. The egg-feed price ratio for the first 9 months averaged 8.9, compared with 10.7 a year earlier.

Broilers: Although the gain may be slightly less than the 3% rise indicated for 1967, broiler output is expected to continue expanding in 1968. Broiler prices thus far in 1967 have averaged substantially below last year's. But they began to recover in October, when production fell below year earlier levels.

Turkeys: Large cold storage holdings and low prices in 1967 are expected to lead to slightly lower turkey output in 1968, the first reduction in 6 years. Cold storage holdings of turkey carried into 1968 are expected to be substantially above the 276 million lbs. beginning stocks in 1967.

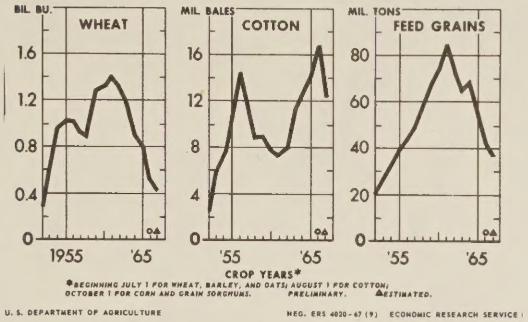
WOOL: Wool production in 1968 likely will decline, along with sheep numbers. Domestic mill use of apparel wool is expected to increase from low 1967 levels. But prices to growers probably will remain near the 42¢/lb. average (grease basis) expected in 1967 since 1967/68 prices of imported wools probably will continue relatively low.

COMMODITY PROGRAMS: In an effort to balance 1968 production with expected use, the 1968 wheat, feed grain, and cotton programs will differ from those in effect in 1967.

Cotton Program: The 1968 program is designed to increase production, since 2 years of small crops and heavy disappearance have cut carryover from nearly 17 million bales on August 1, 1966, to a projected 6-3/4 million bales next August 1. The 1968 program is also designed to encourage production of a higher proportion of the medium and longer staples.

Principal changes include a reduction in the

CARRYOVER OF MAJOR FARM COMMODITIES



required acreage diversion percentage for program cooperators (5.0% in 1968, vs. 12.5% in 1967); an increase in the voluntary acreage diversion permitted (an additional 30% in 1968 vs. 22.5% in 1967); a reduction in the payment rate for voluntary diversion (6.0¢/lb. in 1968, vs. 10.78¢/lb. in 1967); and a return to 1962-65 rules for measuring allotments planted in skip-row patterns.

Feed Grain Program: A diversion target of 30 million acres of corn and grain sorghums--10 million more than in 1967--has been set for 1968.

Acreage diversion payments will be resumed, as in 1966. As in the past, a minimum diversion of 20% of the base acreage will be required for participation in the program. Corn and grain sorghum growers may receive acreage diversion payments (45% of the price support rate times the projected production from diverted land) for diverting from 20 to 50% of their base acreage to soil-conserving uses.

The 1968 program provides for a price support of $1.35 per bushel for corn (loan of $1.05/bu., plus a support payment of 30¢/bu.), the same as in 1967. Price supports for sorghum grain, oats, and barley are also continued at 1967 rates.

Wheat Program: The 1968 Wheat Program is virtually unchanged, except that the national acreage allotment of 59.3 million acres is 13% smaller than it was in 1967. The average payment per bushel to participating producers will be 48¢/bu. compared with 59¢ in 1967, and approximately 44¢ in 1964 and 1965.

FEED GRAINS: The total feed grain supply for 1967/68 is estimated at 213 million tons--7% above last year, but slightly below the 1961-65 average. The 1967 crop of 176 million tons was 19 million tons above last year's, but the 37 million ton carryover was 5 million tons lower.

Domestic consumption of feed grains in 1967/68 is expected to be a little larger than the 141 million tons estimated for 1966/67. More favorable livestock-feed price ratios likely will lead to heavier feeding per animal unit. Exports may change little from the 22 million tons in 1966/67, due to larger supplies in Europe and competition from larger crops in other feed grain exporting countries.

Consequently, the carryover at the end of the 1967/68 marketing year may increase to around 43 million tons.

October feed grain prices averaged 15% below a year earlier, and probably will continue low this fall and winter. Prospects for heavier domestic use and larger quantities placed under price support, suggest some seasonal price rise later in the 1967/68 marketing year.

WHEAT: A near-record world wheat crop, more evenly distributed than last year's, has sharply reduced world demand for wheat. As a result, July-September 1967 export prices for U.S. wheat were below the high levels of a year earlier.

U.S. wheat prices during 1967/68 are expected to show some recovery from the $1.39/bu. July-September average farm price. In fact, the October farm price--$1.43/bu.--was the highest monthly average farm price of the current season. Barring a decline in exports from the estimated 750 million bushel level, it appears that the farm price for the entire year may average 10 to 15% above the loan.

Domestic disappearance in 1967/68 is expected to about match last year's 680 million bu. With a record-large 1967 crop of 1,554 million bu. and total disappearance about the same as, or slightly above, last year's 1,422 million bu., the carryover on June 30, 1968, is expected to increase from the 426 million bu. of last summer.

COTTON: The 8.1 million bale cotton crop (October 1 estimate) and continued relatively large disappearance point to another signifigant reduction in U.S. cotton stocks. By next August, stocks may fall to around 6-3/4 million bales--5-1/2 million less than last August, and more than 10 million beneath record-high stocks on August 1, 1966.

Both reduced acreage and lower yields led to the small 1967 crop. It was estimated to be around 1-1/2 million bales below last year's output, and more than 6-3/4 million bales under the 1965 crop.

Mill consumption during 1967/68 is expected to be a little over 9 million bales. Exports likely will be close to the nearly 4-3/4 million bales shipped in 1966/67.

Prices received by farmers in October averaged 27-1/4¢/lb.--up nearly 5¢ from last October--reflecting greater demand for longer stapled cotton.

SOYBEANS: Domestic crushings of soybeans in 1967/68 are expected to total about 600 million bu.--up from 551 million bu. last sea-

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son. With soybean meal demand likely to outpace demand for oil, a large volume of oil will be available for export.

Soybean exports are expected to reach around 280 to 300 million bu. in 1967/68, compared with 257 million bu. last season.

Because this year's record crop--estimated at 944 million bu. as of October 1--will exceed expected use in 1967/68, the carryover into 1968/69 will likely be around 1-1/2 times the 91 million bu. on September 1, 1967.

Harvestime prices are averaging slightly below the support rate of $2.50/bu. They likely will return to the support level later in the season, but are not expected to exceed it by any significant margin.

VEGETABLES: With ample supplies in prospect for most fresh vegetables, prices are expected to average moderately below last fall's high levels.

The aggregate supply of canned vegetables is moderately larger than last year's tight supply. Frozen vegetable supplies are record large. As a result, prices for processed vegetables in the 1967/68 marketing season are expected to average slightly lower than in 1966/67.

Potatoes: A record fall crop and relatively large remaining stocks of late-summer potatoes have resulted in prices sharply below last fall's. Prices are expected to remain low into early winter.

Sweetpotatoes: A 3% larger crop than in 1966 has led to sweetpotato prices moderately lower than last fall. For the season as a whole, prices are expected to average high, though well below last season's exceptionally high levels.

Dry Beans & Peas: With 1967 dry bean production down a fourth from 1966 and 16% below average, prices are expected to be the highest in many years.

Dry pea supplies are up substantially from last season, due to an 11% larger 1967 crop. Smaller exports are expected, and markets are under some pressure. Prices likely will average moderately lower than a year earlier.

FRUIT: Prices for most fresh and processed fruits during the fall and winter months will be considerably higher than a year ago, reflecting reduced supplies.

Noncitrus: The 1967 noncitrus fruit crop was estimated to be 14% below last year's and the 1961-65 average. Fresh apples, pears, and grapes stored for later marketing are in shorter supply than a year ago. Supplies of most processed items--including canned peaches, pears, and fruit cocktail--are also smaller.

Raisin output was down sharply, but dried prunes will be more plentiful.

Citrus: First estimates of the 1967/68 citrus crop indicate output will be sharply below last year's record. Large packers' stocks of processed items will partially offset the reduction in new-crop supplies.